

The result is a question of fairness between generations. Today there are roughly five workers paying taxes to support the benefits of each retiree. When my generation retires there will be fewer than three. Unless we take action now, the choice we force upon our children will be excruciating: Continue to fund benefits at current levels by radically raising taxes on the working population or slash benefits dramatically.

In 1981, Congress—backed by the Reagan administration—passed a tax-cut for the American people hailed as a boon to the national economy and a panacea for combating an overreaching Government. However, the tax cuts proposed and passed were coupled with unrivalled Government spending, which created the enormous deficits we now confront in this body daily. Nobody believed in 1981 or 1982—save a small few—that what was happening was the creation of large, grave deficits the likes of which this country had never seen, even after the then Majority Leader Howard Baker at the time called this budgetary strategy a “river boat gamble.”

Mr. President, until Congress can agree on a budget that addresses the unsustainable growth of entitlement programs and avoids gimmickry and short-term fixes, anything else is simply a river boat gamble.

I will continue to oppose resolutions such as the one we voted on yesterday because I do not wish to commit our Nation's fiscal integrity and the hopes of future generations to a gamble, no more than I would try to balance my family's checkbook by heading to the slot machines with a pocket full of quarters. This Nation and our children deserve better.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. KYL). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. REID. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

EXECUTIVE SESSION

FEDERAL RESERVE SYSTEM NOMINATION OF ALAN GREENSPAN TO BE CHAIRMAN OF THE FEDERAL RESERVE SYSTEM

Mr. REID. Mr. President, it is my understanding that the matter now before the Senate is the nomination of Alan Greenspan to the Federal Reserve.

The PRESIDING OFFICER. The Senator is correct. The clerk will report.

The bill clerk read as follows:

Alan Greenspan, of New York, to be Chairman of the Board of Governors of the Federal Reserve System for a term of four years.

The Senate resumed consideration of the nomination.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, I like my colleagues, take my responsibility very seriously as to whether or not I support nominations made by the President. During the time that I have served in the Senate, most of that time has been under Republican Presidents. I always took the fact that they made the nomination something that I should, if I could, support. I felt that way for Republicans. I feel the same way for a Democratic President.

As a result, my decision today, while it may not be earthshaking in nature, has been quite difficult. It was after great deliberation that I concluded I can not support the nomination of Alan Greenspan. He has rendered great service to the country. But I think the time has come for new leadership. We need to look at what is taking place at the Fed not only regarding its monetary policy but also internal management. I think that we need to send a message to the American public that what is going on in the Federal Reserve Board is not good.

As a result of that, I have indicated I will not support the nomination of Alan Greenspan, a nomination that has been submitted to the Senate of the United States by a Democrat, Bill Clinton.

Mr. President, many suggest that if the Federal Government operated more like the private sector we would rid ourselves of waste and inefficiency. While that generalized statement is probably true—that we would get rid of a lot of waste and inefficiency, if we operated more like the private sector—that is not absolutely true. It has merit. I subscribe to that belief, and I think that we should keep that statement in mind when we consider the reappointment of Chairman Greenspan to the Fed.

For example, if the shareholders of a bank—and if the President of that bank operated as a multimillion dollar enterprise—suddenly found in that banking operation that there was a fund, a slush fund, a rainy day fund, as the Fed looks to it, without anyone's knowledge, would the shareholders vote for reappointment of that President? The answer is obviously no. They would want probably an opportunity for the President of that bank to explain himself. Yet, those who are insisting on a vote in the affirmative for Chairman Greenspan are asking us to accept what the Fed has done without any explanation. I personally cannot do that.

According to the General Accounting Office report that I requested, along with Senator DORGAN, the Federal Reserve Board is operating with a number of problems. But one is that the General Accounting Office found that there is a \$3.7 billion fund. Some refer to it as a rainy day fund, and others have referred to as a slush fund.

The purpose of it, they say, is to make sure that if there are ever any losses that they are covered.

Well, for 79 years the Fed has been in existence. They have never had a loss. There has been no explanation why they have this fund maintained. It is fair to assume that, when it comes to deficit reduction, the chairman's rhetoric is inconsistent with his actions.

The Government was literally shut down last year for a billion dollars here, a billion dollars there. For \$3.7 billion we would not have had a Government shutdown.

The report raises a number of legitimate questions about the fiscal management within the Federal Reserve System. Important questions should have been answered prior to now and certainly prior to voting for confirmation of this Chairman. This study was requested because no close examination of the Fed operations had ever been conducted.

I offered legislation on a number of occasions calling for the audit of the Federal Reserve System. These requests for legislation were promptly thrown in file 13. They never went anywhere. The Fed is untouchable. Well, after this study I do not think they should be untouchable, because some of the questions that people asked have been answered in this report.

In fact, does the Federal Reserve System run its own shop with no oversight by anyone? The answer is yes. As I said, there has never been a close examination of the Fed's operations until this study was conducted. The General Accounting Office did a good job. The report is sizable in nature. This is a draft of the report. I understand that on Monday the 17th, they are going to submit their final report. This is done the way the General Accounting Office always does their work. They do a draft report and they show it to the people that requested the report and then they submit it to the body that is being investigated. It will be interesting to see how the Fed has responded to some of these questions. I think, interestingly enough, their responses do not answer all of the questions raised in the report.

Since they are a taxpayer-financed entity, I believe it was necessary to shed greater light on the Fed's operation and so I asked the General Accounting Office to do this. In today's constrained budget environment, Congress needs to be informed, and well informed, on all activities that affect Government's finances. Certainly the national banking system, the Federal Reserve System, is something we should have a better handle on. That, in part, is why we requested this study of the Fed.

Much of the study focuses on activities occurring under Mr. Greenspan's watch and the policies he oversaw. He has been there a long time. He cannot blame what has gone on on someone else. He is the chief administrative officer. He is the person we look to for guidance. He is the person, when we have a problem with our national banking system, we call in to Congress.

It is my understanding that the General Accounting Office stands by all of its findings in the preliminary report, and I am sure that is the case. Since this report was submitted there have been other interesting things to develop. One of the most interesting, is a recent round of stories in the Los Angeles Times. They have done some very good work on what is going on in part of the world of the Fed.

An executive at the San Francisco Fed confirms the fact that there are accounting practices at the bank in California that are in real question. For example, according not only to the LA Times, but the Wall Street Journal—which certainly we cannot say is a foe or of the Fed. According to the Wall Street Journal, the Los Angeles Federal Reserve Branch appears to have problems counting its money. This has been confirmed by an executive at the San Francisco Fed. This executive asserts that employees were “forcing balances that did not add up, so that reports sent to the Fed board would appear normal.”

We are not talking here about how to do your weekly balancing of your checking account. We are talking of almost \$200 million. Apparently this enormous management lapse that took place over a period of more than a year has not been questioned by anyone in authority at the Fed. It occurred in one of the most basic and critical functions that the Federal Reserve System has, and that is tracking the level of currency in circulation. The error was said at this point to be about \$178 million. The Fed and the Chairman do not bear this loss, the taxpayers bear this loss.

The bottom line is we now have before us another story of Fed mismanagement, under the guidance and leadership of Alan Greenspan. It begs us to question why this body is willing to reward such poor oversight with, in effect, expeditious confirmation.

I have to say that I very much appreciate the initial action of the new majority leader. Senator LOTT has allowed 3 days to debate this. That is very good. My only question would be whether we should have done it before the final report of the General Accounting Office. But I commend and applaud the new majority leader for allowing ample time to talk about this issue. The fact we are talking about this, I think, will lead to a better understanding of how the Fed acts.

There have been good discussions these past 2 days by the junior Senator from Iowa, Senator HARKIN, and the junior Senator from North Dakota, Senator DORGAN, about fiscal policy. I am not going to dwell a lot today on fiscal policy. Senators HARKIN and DORGAN have done a good job on that. What I want to talk about, though, is where they spend 93 percent of their money.

You see, at the Fed, only about 7 percent of their money is spent on fiscal policy, setting policy. Ninety-three

percent of it is running this national bank we have. I believe we as a Congress have the responsibility to look at that 93 percent and I believe appropriate that money for that 93 percent. It is often said that Greenspan puts the brakes on our economy. I think it might be time to put the brakes on his nomination, slow it down, review all the facts that are being brought to our attention, including the situation we have in the Los Angeles Fed.

There are some who say there is no need for an independent audit. An annual audit is fiscally sound policy.

Can you imagine a bank not having an annual audit? Can you imagine the central banking system of the United States of America not having an annual independent audit? We do not have one. I believe it would instill greater public confidence in our banking system and it would allow people to understand more what is going on.

Let us talk about increased cost. The Fed, while the rest of Government is cinching down and spending less, the Fed's operating costs have increased steadily and substantially. In 1988, just a few years ago, the cost of the Fed was \$1.36 billion. In 1994, some 5 years later, it was \$2 billion. And it has gone up every year since then. We do not have those final figures. Operating costs for the Federal Reserve have grown at more than twice the rate of inflation. Fed operating costs jumped 50 percent between 1988 and 1994. It increased at a rate greater, of course, than overall Federal discretionary spending, which we are trying to rein in. Overall Federal discretionary spending increased during this period of time at a very minuscule rate. But not the Fed, they jumped 50 percent. The greatest increases were bank supervision, personnel costs and data processing. The report makes it clear the Fed could do more to increase its own cost consciousness. They could do a better job of holding back the cost of Government.

What is interesting is what the Fed did while its own costs were rapidly outpacing inflation. The Fed was urging fiscal restraint for the rest of the country. I think it is interesting to talk about what happened in the pre-Greenspan years with economic growth, and what happened in the Greenspan years.

The green, the lower indicators on this graph, shows that the Greenspan years have not been good years. In spite of the tight controls we have had by the Fed, economic growth has not been good under Chairman Greenspan.

Salary costs. The GAO clearly has pointed out that the Fed's salary has been out of whack with the rest of society. The cost of salaries in 1994 alone amounted to over \$1 billion dollars. This constituted about 79 percent of the Fed's personnel compensation cost. From 1988 to 1994, the Fed salaries increased by 44 percent—44 percent. Salaries of some of the Reserve Bank presidents are even greater than the Chairman's salary.

Mr. President, these salaries might attract more people to Government, but they certainly will not attract more people to good Government. Most taxpayers would find the fact that 120 top-level Fed officials earned more in 1994 than the Chairman did a bit excessive. It just does not make sense. Why should bank executives make more than the Chairman of the Federal Reserve Board?

From 1988 to 1994, the last numbers we have and what the General Accounting Office had to look at, the cost of Fed employee personnel benefits increased by 89 percent—89 percent. The General Accounting Office found the Fed's benefits were generous compared to those of Government agencies with similar responsibilities, and that is an understatement.

The GAO found the Fed provides additional benefits to some select officials. For example, bodyguards, home security systems, chauffeured home-to-office transportation.

Travel is really interesting. Although it constitutes a small portion of the Fed's operating expenses, these expenses have had the highest growth, 85 percent. Travel expenses increased significantly more, to say the least, than Federal Government travel expenses.

As the Presiding Officer knows, to try to get members of the administration or Government agencies to come to our States is very hard because they do not have travel money. Very important issues in a State where they need to come and take a look, a lot of the agencies have trouble doing it.

I asked the head of the Environmental Protection Agency to come to Las Vegas. I thought it was a very important meeting. She could not come, even though she badly wanted to, because of travel restrictions, her budget is so tight. Part of this, of course, is grossly exaggerated when you recognize the Fed's travel expenses went up almost 100 percent.

The Fed's travel expenses, when you limit it strictly to their traveling and nothing else, increased 66 percent. When Board members travel, Mr. President, they travel in style. No uniform style, but they travel in style. Some of the districts are allowed to be reimbursed on a per diem basis. Others are reimbursed on actual-cost basis. There is no rhyme nor reason. It is according to what they want to do.

So what I am saying is, they have, in fact, an unlimited expense account. I do not know where else in Government there is anything like that. I do not think anyplace.

Because the policies vary from bank to bank, these costs could easily be contained by a uniform, more taxpayer-friendly policy. The General Accounting Office points this out as well.

Also, we have a double standard, the General Accounting Office has found, and this clear double standard is practiced by the Federal Reserve System. At the Fed's encouragement, we have

taken significant steps toward eliminating the deficit. In fact, I can remember Mr. Greenspan saying a year or so ago the most important thing we can do is reduce the deficit, and at times, these steps have been extremely painful, often requiring downsizing, budget cuts, and elimination of various programs, programs that some of us believed in and liked a lot. We had to cut and whack those so we could meet our budget reduction steps.

We have done a pretty good job. This will be the fourth year in a row where we have reduced the deficit. Four years in a row, the first time since the Civil War we have done that. We have not reduced it, perhaps, enough, but 4 years in a row where we had a reduced deficit. That is good.

While the rest of the Government underwent necessary belt tightening, the Fed enjoyed a smorgasbord of growth. What is a smorgasbord of growth? I do not know if that is a word people know anymore. It is something they had in Nevada to get people to come to the casinos. They would have this vast array of food that would cost not very much money. People could come and gorge themselves, if they wished, on different foods.

That is, in effect, what we have had with the Fed. They have had a smorgasbord of growth. They have had everything they wanted. They have gorged themselves. While the Federal Government's overall staffing level declined, the Fed's staffing level increased by some 4 percent.

The bulk of this growth occurred in largely the white-collar supervision and regulation area. The largest decrease in staffing occurred in the area of services to financial institutions, a blue-collar area where we need more help.

From 1988 to 1994, the Federal Reserve salary costs increased by 44 percent.

In the area of travel expenses, as I have already said, the Fed increased by 66 percent. Again, this could easily be remedied by bringing the Fed under the same travel rules as the rest of the Federal Government. It appears to be a classic case of, "Do as I say, don't do as I do."

It is important to look beyond the comparison of Federal Government. During this same period, while many commercial banks were downsizing, downsizing everything—their operations generally—the Fed's costs were steadily increasing. All over the country we have had banks, in order to be competitive on an international basis, consolidating. There have been cutbacks.

I know and the Presiding Officer knows that in my State and his State, there have been banking employees who have lost their jobs because of downsizing. Not with the Fed. I say not only commercial banks are downsizing, the Federal Government is downsizing. While all this has been going on, the Fed has been upsizing.

But prior to this study, we did not know that. I think it is clear from the GAO report that poor internal management and questionable spending practices are the order of the day at the Fed.

Personnel benefits vary, travel reimbursement varies, procurement and contracting practices are not always done on a competitive basis. Indeed, the report raises questions of favoritism and conflict of interest.

Again, the bigger issue is whether the taxpayers are getting the most cost-effective use of their money. I think the answer is clearly no.

Again, there were rapidly increasing expenditures between 1988 and 1994. Personnel compensation increased by some 54 percent. Equipment and software expenditures increased by 85 percent. Building expenditures increased by 34 percent. Again, travel expenses increased by 66 percent. There is very little incentive to keep these expenditures under control; in fact, in most places, none. The Fed is not subject to the same cost reduction pressures that are affecting both public agencies and private sector firms, and I believe they should be.

I repeat, Mr. President, I am not here today to belabor fiscal policy set by the Fed. Others have done that. I want to talk about the 93 percent of the money that they spend that has nothing to do with setting monetary policy. And that 93 percent we should have some control over. There should be appropriated moneys for the 93 percent. They should fund their operation and their expenses from current revenue.

They are not subject to the same cost reduction pressures that affect both public agencies and private-sector firms.

If there were ever an example of a Federal agency, an activity of the Federal Government—call this organization whatever it might be—that needed some sunlight, this is an organization that needs some sunlight.

The Fed is not funded through congressional appropriations, so we really have no idea how much they are spending, and on what. We only have large categories. Also, unlike private firms, the Fed does not have a profit incentive to lower costs and increase efficiency.

What about the \$3.7 billion slush fund? The Fed is part Government agency, part private bank. Its primary mission is to support a stable economy, not to make a profit. However, the profits generated by the system are to be returned to the taxpayers. Over the years the Fed has pocketed away \$3.7 billion in taxpayer money.

Mr. President, take for example—and I have come to this floor and criticized the budget that the majority has pushed forward on a number of issues. But the one area I have talked about a lot is what is happening to our National Park System. If we had \$1 billion in our great national Treasury, we could take the gems that we have set

up around the United States in the National Park System—we only have one in Nevada; but the State of Arizona has a number, the State of Utah has a significant number, Western States have a number of parks—we could replenish, refurbish those parks. We are closing certain parts of our park system to visitors because we cannot maintain them. We need more money. We could take part of this \$3.7 billion and replenish our park systems, refurbish them, modernize them.

That is only one example, out of scores we could use, where this money could be used, rather than there in a so-called rainy-day fund that Mr. Greenspan and others have set up.

The Fed claims this quietly held fund is necessary to cover system losses. But as I have said before, in 79 years the Fed has never operated at a loss. It cannot because that is how they operate. The surplus increased 79 percent in the 1988-94 period. At the very least, the taxpayers have a right to have this returned to the Treasury.

We continually hear encouragement from the financial markets to reach a balanced budget agreement. And we should do that. If the budget negotiators had this money, we could certainly make \$3.7 billion progress in that direction.

So I conclude, Mr. President, by saying that the Senate is endowed with this tremendous responsibility that we have in the nomination process.

If the reports we are now receiving concerned activities at a cabinet agency, that they had a \$3.7 billion slush fund, that their travel expenses have increased 66 percent, that there were 120 people making more money than the President of the United States, and on and on, with the questions that I have raised today, we would be real upset at that cabinet officer.

We should be also upset with Chairman Greenspan because the reports we are receiving now concerning activities at the Fed show that there is tremendous mismanagement taking place. There needs to be more oversight.

What we are doing today is being asked to reappoint an individual who, in my opinion, is under a cloud. I believe that the burden is on the nominee to come forth, address these issues, address them squarely, and provide this body with a full and satisfactory response.

Again, I recognize the awesome responsibility we have. I understand the importance of this position. I know the nomination has been sent forward by the President of my own party. But in good conscience, I cannot vote to confirm Alan Greenspan. I think there are too many problems. I believe, Mr. President, that the Fed needs to be looked at with a microscope.

We did not look at them with anything. They are running amok. They have no guidance or supervision from the Congress. We should appropriate that 93 percent, the moneys they use every year to operate. There is no reason they cannot be as fiscally sound in

management policy as they are asking the rest of the country to be. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. FRIST). Without objection, it is so ordered.

FLAG DAY

Mr. BYRD. Mr. President, it was 219 years ago today that the Continental Congress formally designated June 14 as Flag Day. So, today, we recognize this anniversary of Flag Day, going back to the time when, as I say, the Continental Congress formally designated the Stars and Stripes as the flag of our country. We honor the symbol of the Nation when we honor the flag.

In these days of new-fashioned values and new-fangled technology, we most often forget the old-fashioned patriotism that made this country great.

We are a vast nation and we glibly speak of our form of government as a democracy. It would be impossible for a government of a nation that is so sprawling as is the United States of America to be a democracy in the raw and purest sense. This is a republic, a republic. We pride ourselves on our democratic processes but we loosely, very loosely talk of ours as a democracy. It is a republic. And there is a difference.

We are a vast nation, becoming more and more diverse in population, language and custom with each passing year, and we would do well to remember often and salute one of our greatest unifying standards, the Stars and Stripes, the American flag.

I have not heard anyone speak of this as Flag Day on the floor today. There may have been someone who has addressed the subject already. I would be very pleased to find that to have been the case. I hope that everyone will display our flag throughout the weekend and remember all that flag means, remember all that it has meant to generations of Americans who have fought and bled and died so that the rest of us can enjoy freedom.

Freedom, unfortunately, cannot be entirely inherited by a nation or a people, any more than children can fully inherit knowledge and courage from their parents. Each generation must learn to understand and to rededicate itself to the pursuit of freedom. That is one reason why Flag Day is so important—why all of our national holidays should be emphasized. We must, most certainly, halt in our confident strides toward the future and take a long and

serious look at the core of our beliefs. When we show to our neighbors and our friends that we believe in America—that we are active citizens and proud of the fact that we have been so blessed—we perpetuate our core principles and solidify our unity as a nation.

So, today I would hope that we would be a little old-fashioned, and rededicate ourselves to freedom and to the glorious red, white and blue that, no matter how sophisticated we all may think we have become, should always make our hearts pound and put that lump in our throats as that flag goes by.

No, we have become too new-fashioned, sophisticated, forgetting that when we came into this world we came emptyhanded and when we leave this world we will leave it emptyhanded.

Alexander conquered the then-known world, but he left it emptyhanded. There is the story that he was buried in a coffin with his hands hanging outside the coffin to demonstrate that one leaves the world, no matter how much of it he has conquered, how successful he has been, how prosperous he was blessed to become—when he leaves the world he leaves it emptyhanded.

So, with all of our thin veneer of sophistication, it might be well to pause and reflect upon the fact that when we leave this world we will leave it emptyhanded. And it is good, sometimes, for Senators to remember that when they leave this Chamber for the last time they will be remembered for about 10 days. I have been around here a long time. I have seen men and women come and go, great in their prime, they thought—and others thought—but soon forgotten.

So I like to do things the old-fashioned way and I like to remember the flag in the old-fashioned way. So let us, today, rededicate ourselves to an appreciation for and a respect for the Stars and Stripes.

When Americans look at their flag, if they stop and think, they see all that is dear to their hearts about America. They think of the heroes who shed their blood for our country. They think of Nathan Hale, who was executed as a spy in the year 1776, who regretted that he had only one life to give to his country.

They think of John Paul Jones; of James Lawrence, who said, "Don't give up the ship."

They think of Francis Marion the "Swamp Fox," Nathanael Greene, George Washington at Valley Forge.

They think of all those men and women down through the array of decades who gave everything, gave their lives, who sacrificed for our country. When they see that flag, oh, it is just a piece of cloth, a bunting, but it is far more. It represents the history of this Republic. It is older than the Republic itself: Flag Day, dating back, as I say, to the year 1777, 10 years before the Constitution was written, which established this Republic.

They think of all that is good and noble and great about this country when they see that flag. They should think of it. It should remind us of this country's glorious history, of the good deeds that America has performed, of how she has shared her wealth, her treasure, her blood that others might have freedom.

And wherever they may travel, whatever ocean or sea they may cross, the sight of that symbol—the red, the white, the blue—our flag, brings to the heart the thoughts of home.

That flag is the symbol of all of the dreams that we have had and that we may have about America. Let us remember it on this Flag Day—the symbol of America the Beautiful.

Henry Van Dyke said it best in his poem: "America for Me":

'Tis fine to see the Old World, and travel up and down,

Among the famous palaces and cities of renown,

To admire the crumbly castles and the statues of the kings,—

But now I think I've had enough of antiquated things.

So it's home again, and home again, America for me!

My heart is turning home again, and there I long to be

In the land of youth and freedom beyond the ocean bars,

Where the air is full of sunlight and the flag is full of stars.

Oh, London is a man's town, there's power in the air;

And Paris is a woman's town, with flowers in her hair;

And it's sweet to dream in Venice, and it's great to study Rome;

But when it comes to living, there is no place like home.

I like the German fir-woods, in green battalions drilled;

I like the gardens of Versailles with flashing fountains filled;

But, oh, to take your hand, my dear, and ramble for a day

In the friendly western woodland where Nature has her way!

I know that Europe's wonderful, yet something seems to lack!

The Past is too much with her, and the people looking back.

But the glory of the Present is to make the Future free,—

We love our land for what she is and what she is to be.

Oh, it's home again, and home again, America for me!

I want a ship that's westward bound to plough the rolling sea,

To the blessed land of Room Enough beyond the ocean bars,

Where the air is full of sunlight and the flag is full of stars.

Mr. President, I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HARKIN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.